

Farm Storage Facility Loans

Objective

Farm Storage Facility Loan (FSFL) Program provides low cost financing for producers to build or upgrade farm storage and handling facilities for eligible commodities.

Eligible Borrowers

An eligible borrower must

- have satisfactory credit history and not be delinquent on any nontax debt
- be a producer of an eligible commodity
- have crop insurance or NAP coverage on all eligible commodities
- demonstrate the ability to repay the loan.

Eligible Borrowers (continued)

An eligible borrower must

- demonstrate a need for increased storage capacity
- be in compliance with USDA provisions for HEL and Wetlands and NEPA requirements

Eligible Commodities

- Grain crops
- Corn silage, haylage
- Dry hay
- Honey
- Renewable biomass
- Fruits (includes nuts) and vegetables - cold storage facilities

Example of a bunk silo



Formula for determining storage need

- 3-year average acreage for each FSFL commodity using 3 most recent crop reports.(must file late reports if not updated)
- a 1-year acreage projection can be used for newly grown commodities
- Multiply this average commodity acreage by reasonable crop yield to come up with annual production projections

Loan Terms & Interest Rates

7 – 10 – 12 year loan terms depending on the amount of the loan

Maximum of \$500,000

Borrower must pay a 15% down payment;
loan is limited to 85% of total cost

February Interest Rates

- 7 years 1.875%
- 10 years 2.000%
- 12 years 2.125%

FSFL Disbursements

Final Loan Disbursement

- FSA inspects completed structure before closing
- CCC-186, Note and Security Agreement must be signed by all borrowers
- Form CCC-197 “Final FSFL Program Cost Certification”
- Form CCC-191 “FSFL Release of Liability”
- Note: 1 qualifying partial disbursement may be made prior to completion

FSFL Security Requirements

- All FSFL's are secured by Promissory Note and Security Agreement
- UCC filed on the structure

Additional Security is required if

- FSFL exceeds \$50,000
- the aggregate outstanding FSFL balance exceeds \$50,000
- County Committee determines, as result of financial analysis, that additional security is required
- the structure has no resale value

FSFL Application Fee

- \$100 per borrower on loan
- Nonrefundable
- If partial and final disbursements are requested only 1 application fee is required

FSFL Approval Extensions

FSFL approvals expire 6 months after the approval date. Under certain circumstances, extensions may be granted. Extensions may not exceed 18 months.

Purpose of Facility

FSFL collateral **must be used** for the purpose for which the storage facility was constructed for the entire FSFL term and must be a stand alone structure.

Note: FSFL amount must be adjusted to exclude ineligible space not used for storing FSFL commodities (office space, display area)

Crop Insurance Requirement

Multi-peril crop insurance or NAP is required on both of the following:

- Commodities stored in FSFL funded facility
- Insurable FSFL commodities of economic significance on all farms operated by the borrower

Farm Storage Facility Loans

Hay

Eligible Structures for Storing Hay

- Must have a useful life of at least 15 years
- Traditional and non-traditional barn style structures are acceptable
- The structure must have suitable flooring for the region where facility is located

Eligible Components

- Safety equipment meeting OSHA standards
- Equipment to monitor and maintain quality
- Electrical equipment
- Concrete aprons
- Flooring suitable for region located

Structural Insurance Requirement

- All storage structures receiving FSFL financing must obtain all peril insurance
- Amount of coverage must be equal to or exceed outstanding loan balance
- CCC listed as loss payee

Farm Storage Facility Loans

Fruits and Vegetables

Fruits and Vegetables

- Cold storage facilities for storing FAV's produced by the borrower
- Includes nuts and honey
- Eligible FAV's – Most common Fruits & Vegetables

Determining Storage Need for FAV's

- Crop reports for previous or current crop year (Late filed acreage reports accepted for FSFL purposes only)
- COC to determine yield
- One year of needed storage capacity to be used for FAV's
- Cold storage facility can only be used for FAV's producer/applicant grows

Eligible Cold Storage Structures for FAV's

- New cold storage structures suitable for storing the FAV's produced by the borrower
- Permanently affixed equipment necessary for cold storage such as:
 - Refrigeration units or system
 - Circulation fans
- Having a useful life of at least 15 years

Refrigeration Units



Eligible Cold Storage Structures for FAV's (cont'd)

Examples of eligible buildings:

- Wood pole & post construction
- Steel
- Concrete
- Walk-in prefabricated cooler

Eligible Cold Storage Structures for FAV's (cont'd)

Example of eligible components:

- Cement slab floor
- Insulation on walls, ceiling & in floor
- Vapor barrier
- Equipment to monitor & control atmosphere
- Lighting

Eligible Cold Storage Structures for FAV's (cont'd)

New components for existing structures:

- Suitable for cold storage
- Remodeled to specifications required for a cold storage facility
- Have a useful life of at least 15 years

Eligible Cold Storage Structures for FAV's (cont'd)

Any portable cooling or cold storage equipment is ineligible for FSFL

Questions ?